# CAN-FER MINES LIMITED

# 1968 ANNUAL REPORT

**CAN-FER MINES LIMITED**

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|---|---|
| *Officers* | Paul Porzelt, *Chairman* |
| | C. A. Burns, *President* |
| | D. A. Berlis, Q.C., *Secretary-Treasurer* |
| | R. N. Granger, *Asst. Secretary-Treasurer* |
| *Directors* | Douglas A. Berlis, Q.C. . . . . . . . . Toronto, Ontario<br>*Partner, Edison, Aird & Berlis* |
| | Leonard Bughman . . . . . . . . . . . . . Ligonier, Pennsylvania<br>*President, Bughman Sales Company* |
| | C. A. Burns . . . . . . . . . . . . . . . . . . Toronto, Ontario<br>*President, C. A. Burns Consulting Limited* |
| | H. Michael Burns . . . . . . . . . . . . . New York, N.Y.<br>*Exec. V.P., Burns Bros. & Denton, Inc.* |
| | Pemberton Hutchinson . . . . . . . . . Philadelphia, Pennsylvania<br>*Vice-President, Penn Virginia Corporation* |
| | John Kemmerer, Jr. . . . . . . . . . . . New York, N.Y.<br>*President, Whitney & Kemmerer, Inc.* |
| | E. B. Leisenring, Jr. . . . . . . . . . . . Philadelphia, Pennsylvania<br>*President, Penn Virginia Corporation* |
| | Paul Porzelt . . . . . . . . . . . . . . . . . . New York, N.Y.<br>*Limited Partner, Emanuel, Deetjen & Co.* |
| | Malcolm Richardson . . . . . . . . . . . Toronto, Ontario<br>*President, Richardson, de Pencier Ltd.* |
| *Auditors* | Thorne, Gunn, Helliwell & Christenson, Toronto, Ont. |
| *Transfer Agent and Registrar* | The Sterling Trusts Corporation, Toronto, Ont. |
| *Co-Transfer Agent* | The First Jersey National Bank, Jersey City, N.J. |
| *Solicitors* | Edison, Aird & Berlis, Toronto, Ont. |
| *Consultants* | C. A. Burns Consulting Limited, Toronto, Ont. |

*Head Office:* 100 Adelaide Street West, Toronto 110, Ontario
*Branch Office:* 355 Burrard Street, Vancouver 1, B.C.

## *Chairman's Report*

To the Shareholders:

In his recent book, "Affluence in Jeopardy — Minerals and the Political Economy", Charles F. Park Jr. points up the effect of an exploding world population and how the per capita consumption of metals has increased. Mr. Park's predictions are startling, and he believes that "the world is about to enter a period when shortages of minerals will become increasingly common."

It is because of the same belief that Can-Fer concentrated on an expanded exploration program after the Kowkash iron ore property was leased to Algoma Steel. Thus, in the last few years the company has built up a permanent staff of geologists and field men. Can-Fer has developed airborne radiometric survey equipment which compares favourably with the best in the industry. Importantly, the company has in its president, Mr. C. A. Burns, an experienced geologist who is able and highly respected in the industry.

While Can-Fer does not have the financial and human resources and facilities of the giant exploration companies, the company can move quickly to take advantage of opportunities. And a further advantage, unlike the innumerable small exploration companies, Can-Fer has a treasury and does not have to sell stock periodically to sustain its exploration budgets.

Early last year the Can-Fer Exploration Syndicate was formed with Bralorne Pioneer Mines, Pacific Petroleum and Bralorne Oil & Gas Limited as partners. I suggest that you read Mr. Burns' accounting of the syndicate's activities and accomplishments carefully. If he is perhaps vague regarding the exact location of some claims, you can appreciate that secrecy in exploration is essential until such time as management is sure it has all the claims in the vicinity that are wanted. The directors are very pleased with the results of last year's work.

The 1969 field season has started and the directors look forward to it with great anticipation. The company has a geological field staff of 23 working under the direction of Mr. Burns. While much effort will be concentrated on uranium exploration, other minerals will also receive attention.

**BRALORNE PIONEER MINES**

I reported to you in last year's report that Can-Fer had bought a block of the shares of Bralorne Pioneer Mines Ltd. Your company now owns 250,000 shares, or 15.4% of the outstanding shares of this company. Cost averaged $2.27 a share and the recent market value has been as high as $3.65 a share.

The directors are naturally pleased with this investment: Bralorne's gold mine is operating profitably; the money-losing Concrete Technology division sold for a satisfactory price; Bralorne Oil & Gas is under new leadership and the directors are optimistic for the outlook of that unit.

Shareholders are undoubtedly aware that the cost of exploration and, particularly, the cost of putting a new mine into production is increasing sharply from year to year. New techniques are being employed, expensive instruments have to be acquired, more specialists are needed. Once an orebody has been established, the amounts of capital needed are enormous, especially if a large tonnage property is involved. In order to be able to raise these very large amounts of capital, an exploration and mining company has to be large enough to have access to the senior capital markets.

Accordingly, your management believes that a company which combines the assets and businesses of both Can-Fer and Bralorne Pioneer Mines would be in a much stronger position than the two units separately. Such a company would have greater financial, technical and management resources. These are some of the advantages; others are described in the accompanying proxy statement and information circular which sets out fully a proposal which would combine the assets and businesses of the two com-

panies and which shareholders will be asked to vote upon at the forthcoming annual and general meeting.

The directors urge you to consider the proposal carefully and to favour your management with an affirmative vote.

**KOWKASH IRON PROPERTY**

As you know, a valuable asset of the company is the royalty contract with Algoma Steel on which we now receive $200,000 a year in advance payments. It should be remembered that the company does not show any value for this contract in the balance sheet.

When Algoma has built a concentration plant and produces pellets from the Kowkash property, Can-Fer will get per tonnage royalties of 40¢ the first year, 50¢ the second year, 60¢ the third year and 65¢ a year thereafter. The royalty is based on 66% iron content. If Algoma should turn out a higher grade product, the per tonnage royalty rises proportionately. Also, if the price of iron ore goes up, the royalty also goes up.

It is not known when Algoma will start building a plant. Your directors do know, however, that in line with all other Canadian steel companies, Algoma is increasing its capacity and will need more iron ore. It is our belief that Algoma will start building more of its own pellet producing capacity within the next few years.

**FINANCIAL RESULTS, GENERAL**

The company's financial statements are included in this report. You will note that current assets total $1,005,688 of which $855,000 are deposit receipts bringing interest income at about 6⅝% per annum. The accounts receivable of $36,614 are mainly due from syndicate partners. Current liabilities are $15,000, leaving a net working capital of $990,000.

Our gross income amounted to $282,060, which is slightly higher than last year's gross income of $274,879. Net income for the year was $199,835, compared to $83,781 during the previous period. The 1968 net income is before deduction of $140,036 in exploration expenditures.

The directors look forward to the 1969 exploration season with great anticipation. The shareholders have a good strong team working for them and management is determined to make Can-Fer a vital force in the industry.

On behalf of the board, I wish to thank the staff as well as our loyal stockholders for their valued support.

PAUL PORZELT,
Chairman

May 9, 1969.

## *President's Report*

To the Shareholders:

During 1968 Can-Fer Mines was active in exploration in Canada, carrying out work on its own account, but mostly on behalf of the Can-Fer Exploration Syndicate which was formed during the year.

Can-Fer manages the syndicate and, generally, will earn about a 42% interest of the syndicate's part of any project. Exploration programs entailed primary prospecting, examination of properties, regional geochemical and geological surveys, and detailed work on some properties which were acquired.

Can-Fer Exploration Syndicate is participating with another company in exploring in British Columbia a copper discovery made during the year. A fairly large group of claims was staked. Last year geological, magnetometer, and geochemical surveys and prospecting were done in the area of the finds. Two occurrences of copper mineralization on the same geological structural feature are about 1,700 feet apart. One is exposed along a length of about 100 feet, and the other for about 200 feet. Both show only one side of the mineralization as the other side is covered by gravel of a creek, so that the maximum width exposed is 14 feet. Work will restart on this group of claims early in the spring. Diamond drilling will be done during some phase of the program. Can-Fer Exploration Syndicate is paying almost 30% of costs and will receive a one-third interest in the project.

The syndicate also staked 34 claims at freeze-up on an uranium find made as a result of extensive prospecting. The staking was so late in the season that it was impossible to assess the group properly. A magnetometer survey is presently underway on the claims. Scintillometer and geological surveys plus trenching and sampling will also be undertaken.

In northwestern Ontario, east of Red Lake in the Mink Lake-Birch Lake area, 72 claims were staked before and after freeze-up on a molybdenite occurrence. Preliminary prospecting near the edge of a complex intrusive plug has exposed molybdenite in an area of about 200 feet by 400 feet. The total extent of mineralization is unknown. During 1969 an extensive exploration program will be undertaken.

Claims held in Teetzel township, northern Ontario, had a further geological examination made of them. They were then allowed to lapse.

Groups of 14 and eight claims were staked near Greenwich Lake, about 30 miles north-northwest of Port Arthur, Ontario, in an area where uranium occurs. The claims were prospected and mapped geologically, but nothing of apparent importance was found. Since the work was done, the Can-Fer Syndicate sold the group of 14 claims to another company for a small cash payment and an interest if a new company should be formed.

At Saddle Lake, located about 55 miles west of Pickle Lake in northwestern Ontario, a group of 14 claims was staked to cover some old reported showings of sulphides. Some prospecting was done. During 1969 the syndicate plans to blast into the sulphides and sample them and further prospect the claims.

During January of the current year two groups of claims were staked in the Confederation-Birch Lakes area, about 65 miles east of Red Lake, northwestern Ontario, following a silver-lead-zinc discovery by another company in the Confederation Lake area. The locations of the claim groups were chosen on the basis of geology.

In early December an exploration permit was applied for in northern Saskatchewan on about 240 square miles. It is located southwest of Wollaston Lake on what is believed to be the general geological trend of rocks of early precambrian age. A significant discovery of uranium was reported late in 1968 by Gulf Minerals Company in the Wollaston Lake area. A work commitment of $30,000 is required during the first year of the permit. The initial exploration planned on the permit during 1969 will comprise an airborne radiometric survey with ground follow-up composed of prospecting and geological mapping.

In New Brunswick, in the Jacquet River area, further geochemical silt sampling was done on a small group of claims held on extension. These claims of the syndicate have lapsed.

Can-Fer participated with another company, outside of the Can-Fer Syndicate, in finding and exploring a copper-molybdenite occurrence near Port Hardy, Vancouver Island, British Columbia. Can-Fer's interest increases from an initial 25% to about 31%, depending upon the amount of money spent. Initial exploration was composed of geochemical soil sampling, magnetometer and geological surveys and trenching. The work resulted in drilling five diamond drill holes at the end of the 1968 season.

Mineralization was widespread in the holes, but mainly low grade. The best section of 120 feet gave assays of 0.36% copper and 0.025% molybdenite, which correlate fairly well with results of trenching. Further work will entail more geology and possibly an induced polarization survey.

The company's exploration program during 1969 will continue to be aggressive. Emphasis, as in 1968, will be placed on base metals, silver and uranium.

The staff of Can-Fer worked loyally and diligently during the year and has been greatly encouraged by the support of the board of directors.

C. A. Burns

C. A. BURNS,
President

May 9, 1969.

**CAN-FER MINES LIMITED**

*(Incorporated under the laws of Ontario)*

# *Balance Sheet*

(with comparative fig

## ASSETS

| | 1968 | 1967 |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 22,980 | |
| Bank deposit receipts | 700,000 | $1,220,000 |
| Short term note, at cost which approximates market value | 155,000 | 100,000 |
| Marketable securities, at cost (quoted market value 1968, $2,000; 1967, $1,875) | 2,280 | 2,280 |
| Accounts and accrued interest receivable | 42,095 | 20,408 |
| Accrued royalty receivable | 83,333 | 83,333 |
| | 1,005,688 | 1,426,021 |
| **Shares in Bralorne Pioneer Mines Limited,** at cost (note 6) (quoted market value $625,000; 1967, $37,195) | 568,890 | 37,520 |
| **Interest in Mining Syndicates,** at cost | 140,036 | |
| **Fixed Assets** | | |
| Equipment, at cost | 20,821 | 19,811 |
| Less accumulated depreciation | 13,075 | 6,580 |
| | 7,746 | 13,231 |
| **Mining Properties** (note 1) | | |
| Mining properties, at cost, leased under long-term agreement to The Algoma Steel Corporation, Limited | 203,255 | 203,255 |
| | $1,925,615 | $1,680,027 |

## *Auditors' Report*

To the Shareholders of
Can-Fer Mines Limited

We have examined the balance sheet of Can-Fer Mines Limited as at Dece the year then ended. Our examination included a general review of the accounting pro necessary in the circumstances.

In our opinion these financial statements present fairly the financial position and application of its funds for the year then ended, in accordance with generally a after giving effect in that year to the change in accounting practice as explained in no

Toronto, Canada
February 10, 1969

CAN-FER MINES LIMITED

*(Incorporated under the laws of Ontario)*

*December 31, 1968*

t December 31, 1967)

## LIABILITIES

| | 1968 | 1967 |
|---|---|---|
| **Current Liabilities** | | |
| Bank overdraft (arising from outstanding cheques) | | $ 10,186 |
| Accounts payable and accrued liabilities | $ 15,795 | 14,856 |
| | 15,795 | 25,042 |
| **Shareholders' Equity** | | |
| Capital stock (note 3) | | |
| Authorized — 6,000,000 shares without par value | | |
| Issued — 3,478,260 shares (3,434,260 in 1967) | 1,488,528 | 1,433,528 |
| Surplus | 421,292 | 221,457 |
| | 1,909,820 | 1,654,985 |
| | $1,925,615 | $1,680,027 |

Approved by the Board

PAUL PORZELT, Director.

C. A. BURNS, Director.

31, 1968 and the statements of income, surplus and source and application of funds for
es and such tests of accounting records and other supporting evidence as we considered

company as at December 31, 1968 and the results of its operations and the source
d accounting principles applied on a basis consistent with that of the preceding year
the financial statements, with which change we concur.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants

## *Statement of Income*

**Year ended December 31, 1968**
(with comparative figures for 1967)

| | 1968 | 1967 |
|---|---|---|
| **Revenue** | | |
| Royalties from lease of mining properties | $200,000 | $200,000 |
| Interest and dividends | 54,500 | 74,879 |
| Other income | 27,560 | |
| | 282,060 | 274,879 |
| **Expenses** | | |
| Exploration including geology and supervision | | |
| Staking, recording and claim fees | 115 | 1,012 |
| Grubstaking and prospecting | 113 | 5,169 |
| Geophysical surveys | | 20,047 |
| Transportation and travelling | 1,085 | 15,354 |
| Salaries and geological fees | 11,267 | 61,683 |
| Diamond drilling | | 6,044 |
| Engineering and consulting fees | | 1,989 |
| Assaying and sampling | 127 | 1,334 |
| Temporary equipment and supplies | 312 | 6,332 |
| Other costs | 973 | 5,357 |
| | 13,992 | 124,321 |
| Administrative and corporate | | |
| Directors' fees | 1,700 | 2,000 |
| Administration | 4,290 | 6,900 |
| Legal, audit and accounting | 9,855 | 15,047 |
| Share transfer expenses | 11,088 | 4,065 |
| Travelling | 1,398 | 2,064 |
| Publicity and shareholders' information | 9,900 | 9,502 |
| Directors' expenses | 4,522 | 4,850 |
| Depreciation of equipment (note 5) | 6,495 | 6,165 |
| Salaries | 9,549 | 6,536 |
| Other expenses | 9,436 | 9,648 |
| | 68,233 | 66,777 |
| | 82,225 | 191,098 |
| Net income for the year (notes 2 and 8) | $199,835 | $ 83,781 |

## *Statement of Surplus*

**Year ended December 31, 1968**

(with comparative figures for 1967)

| | 1968 | 1967 |
|---|---|---|
| Balance at beginning of year | | |
| As previously reported | $1,010,533 | $1,113,561 |
| Adjustment of exploration and administrative expenditures (note 2) | 789,076 | 872,857 |
| As restated | 221,457 | 240,704 |
| Add net income for the year | 199,835 | 83,781 |
| | 421,292 | 324,485 |
| Deduct dividend — 3¢ per share | | 103,028 |
| Balance at end of year | $ 421,292 | $ 221,457 |

## *Statement of Source and Application of Funds*

**Year ended December 31, 1968**

(with comparative figures for 1967)

| | 1968 | 1967 |
|---|---|---|
| **Source of funds** | | |
| Operations | | |
| Net income for the year | $ 199,835 | $ 83,781 |
| Add depreciation written off which does not require a cash outlay | 6,495 | 6,165 |
| | 206,330 | 89,946 |
| Issue of common shares | 55,000 | |
| | 261,330 | 89,946 |
| **Application of funds** | | |
| Purchase of shares in Bralorne Pioneer Mines Limited | 531,370 | 37,520 |
| Interest in mining syndicates | 140,036 | |
| Purchase of fixed assets | 1,009 | 12,299 |
| Dividend paid | | 103,028 |
| | 672,415 | 152,847 |
| Decrease in working capital | (411,085) | (62,901) |
| Working capital at beginning of year | 1,400,978 | 1,463,879 |
| Working capital at end of year | $ 989,893 | $1,400,978 |

# *Notes to Financial Statements*

**December 31, 1968**

## 1. MINING PROPERTIES

Under the terms of an agreement dated March 25, 1965 the company granted an option to The Algoma Steel Corporation, Limited, to lease the company's mining properties. The sum of $1,340,000 has been received by the company upon the exercise of this option and the company has leased its mining properties to The Algoma Steel Corporation, Limited under a 99 year lease computed from August 1, 1965. The agreement provides, among other terms, for the following:

(a) An advance annual royalty or rental of $200,000 for a maximum period of 20 years or until the date of the first shipment of iron ore pellets from the mining properties. However, from the commencement, by the lessor, of incurring expenditures to bring the properties into commercial production, no royalty or rent shall be payable for the lesser of (1) four years or (2) the date that iron ore pellets are shipped from the mining properties. These annual payments are to be applied against royalties as calculated in (b) below.

(b) Commencing with the first commercial shipment of iron ore pellets from open cut mining operations, the company shall receive royalties based on tonnages shipped as follows:

40¢ per gross ton shipped during the first year;
50¢ per gross ton shipped during the second year;
60¢ per gross ton shipped during the third year;
and
65¢ per ton thereafter.

On iron ore pellets produced and shipped from ore mined by underground mining operations the royalty is 30¢ per gross ton of such pellets.

The annual royalty on iron ore pellets shall not be less than $350,000. This minimum payment would be reduced if steel ingot production in Canada is less than 75% of rated capacity.

(c) The tonnage royalty described in (b) above will increase pro rata if the percentage of iron natural content of the pellets increases above 66%, and will increase or decrease pro rata if the published Lower Lake price of iron natural content of Lake Superior pellets increases or decreases from the published price at March 25, 1965.

## 2. CHANGE IN ACCOUNTING PRACTICE

In 1965 when the company leased its property to Algoma (note 1), the initial payment of $1,340,000 was credited to surplus. Exploration and administrative expenditures made by the company on the property to August 1, 1965, the date from which the lease commenced, totalling $1,120,124 were deferred and have been reduced by charges in the statements of income in 1965 and subsequent years to the extent that revenue exceeded expenses in each of the years. In 1968 the company changed its basis of accounting so as to reflect that the initial payment was treated as income in the year received and that the exploration and administrative expenditures incurred on the property to August 1, 1965 were considered as a charge in 1965.

An adjustment of $872,857 has been charged to surplus as at January 1, 1967 to reflect the change in accounting practice. The 1967 figures have been restated to reflect this change in accounting practice and to be on a comparable basis with 1968.

## 3. CAPITAL STOCK

In 1968 the company issued 44,000 shares of its capital stock for $55,000 cash upon the exercise by an officer of a portion of his stock option.
There are 6,000 shares under option to an officer of the company at $1.25 per share expiring in 1972.

## 4. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The direct remuneration of directors and senior officers (as defined by The Corporations Act) was as follows:

| | 1968 | 1967 |
|---|---|---|
| Directors and executive officers | $ 7,700 | $ 8,000 |
| Other employees | 38,369 | 27,034 |

### 5. DEPRECIATION AND DEPLETION

Depreciation on exploration and office equipment has been calculated at annual rates of 33⅓% and 10% respectively of the cost of the depreciable assets at the year-end.

No provision has been made for depletion of mining properties since no ore has yet been produced from the company's properties.

### 6. SHARES IN BRALORNE PIONEER MINES LIMITED

The indicated market value does not necessarily represent the amount that would be realized if the shares were to be sold.

### 7. COMPARATIVE FIGURES

For comparative purposes, certain 1967 items have been reclassified on the same basis as is used for statement presentation for 1968.

### 8. INCOME TAXES

No provision for income taxes is required since the company is able to claim for income tax purposes amounts which have already been written off in the accounts. At December 31, 1968 the company has available as a deduction against future income for tax purposes $589,366 which has been charged in the accounts but not yet claimed for tax purposes.

| | Exploration and Depreciation | | Expenditures written off in the accounts in excess of amounts claimed for tax purposes |
|---|---|---|---|
| | Written off in the accounts | Claimed for tax purposes | |
| 1965 | $1,129,235 | $ 99,826 | $1,029,409 |
| 1966 | 65,944 | 222,471 | 872,882 |
| 1967 | 130,486 | 214,167 | 789,201 |
| 1968 | 20,487 | 220,322 | 589,366 |

CAN-FER MINES LIMITED

Printed in Canada